

## 4.

## REPORTING

### 4.11.2 Financial Statements

#### 4.11.2.2 Statement of Revenues, Expenses, and Changes in Fund Net Position

- 4.11.2.2.10 The information for this statement should be taken from the authority's revenue and expense ledgers after year-end adjustments are posted but before closing the books.
- 4.11.2.2.20 The statement model presented is for current year information. In [GASB Statement 34](#) reporting standalone enterprise funds usually do not present comparative statements because the Management's Discussion and Analysis (MD&A) is used to present comparative information. If the comparative statement format is chosen GAAP requires the presentation of three years of data in the MD&A.
- 4.11.2.2.30 The authority may report as a single enterprise fund (one column) or as a group of programs (multiple columns)<sup>1</sup>. If the authority uses a multiple column (program) presentation a total column is necessary. If the authority chooses a single column presentation, the underlying program financial statements should be prepared for HUD reporting and audit purposes. These statements do not need to be included in the basic financial statements. However, they can be included as supplemental information. If the multiple column presentation is used, it will require additional audit resources.
- 4.11.2.2.40 [GASB Statement 34](#) requires that internal transactions between programs/funds that are duplicative in nature be eliminated in the top level (government wide) statements. If programs in the authority have transactions that are not external in nature they should be eliminated (i.e., internal revenues and expenses). The elimination is also done to minimize the *grossing up* effect on assets (receivables) and liabilities (payables) on the statement of net position.
- 4.11.2.2.50 The following forms do not contain provisions for component units. If the authority has a component unit as defined by [GASB Statement 14](#)<sup>1</sup> you will need to make the appropriate modifications to the statements. The Manual discusses the reporting entity and potential component units in [GAAP Reporting Requirements](#) and provides examples of financial statements which include component units. For further information, refer to the Manual and the [GASB Statement 14](#).
- 4.11.2.2.60 GAAP, as interpreted by the GASB, requires reporting HUD operating subsidies and grants as nonoperating revenues. When HUD issued GAAP implementation guidance they interpreted this standard differently and advised authorities to report these grants as operating revenue. Because HUD is the primary user of the financial statements, the SAO has taken the position that this is not a material departure from GAAP. This allows the authorities an option in reporting HUD grants. However, if the authority elects to classify operating subsidies and grants as operating revenues, this must be clearly disclosed in Note 1, *Summary of Significant Accounting Policies, Operating Revenues/Expenses*. See Note 1 for an example disclosure. Classification of operating grants should not affect expenses. If an expense is operating it should be reported as operating regardless of the source of revenue to pay it.
- 4.11.2.2.70 [GASB Statements 33](#) and [34](#) requires a new format for capital contributions. If the authority has received a capital grant it must be classified as a *Capital Contribution*, not nonoperating revenue.

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<sup>1</sup> As updated by the [GASB Statement 39, Determining Whether Certain Organizations Are Component Units](#).

4.11.2.2.80 Recognition of grant revenue: Recoverable grants are nonexchange transactions and should be reported as revenue when the eligibility requirements are met. Grant eligibility requirements are considered to be met when the asset is in place and being used for low income purposes. A time requirement for maintaining low income housing by its self is not an eligibility requirement, placing the asset in use for low income purposes is the requirement. These transactions require disclosure of the recoverability conditions in the notes.

4.11.2.2.90 Loans with forgiveness clauses do not meet the definition of grant revenue due to the existence of a note payable or loan contract. Until the note payable or loan contract terms are met or removed, a liability must be reported. These transactions also require disclosure in the notes.

4.11.2.2.100 Change in Reporting Entity

See [Statement of Net Position](#).

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**For the Year Ended \_\_\_\_\_, 20\_\_**

OPERATING REVENUES:

Tenant Rental Revenue	\$ _____
Commercial Revenue	_____
Other Operating Revenue	_____
_____	_____
_____	_____
_____	_____
Total Operating Revenues	_____

OPERATING EXPENSES:

Tenant Services	_____
Utilities	_____
Maintenance	_____
Customer Services and Marketing	_____
Administrative	_____
Depreciation	_____
Housing Assistance Payments	_____
Other Operating Expenses	_____
_____	_____
_____	_____
Total Operating Expenses	_____

OPERATING INCOME (LOSS) \$ \_\_\_\_\_

NONOPERATING REVENUES (EXPENSES):

HUD Operating Subsidies <sup>1</sup>	_____
Other Government Grants <sup>1</sup>	_____
Interest and Dividend Income	_____
(Interest Expense and Related Charges)	_____
Equity in Income (Loss) of Joint Ventures	_____
Gains (Losses) on Capital Asset Disposition	_____
Other Nonoperating Revenues	_____
(Other Nonoperating Expenses)	_____
Total Nonoperating Revenues (Expenses)	_____
 Income before Contributions, Transfers, Extraordinary and Special Items	 _____
 CAPITAL CONTRIBUTIONS	
HUD Capital Grant	_____
EXTRAORDINARY/SPECIAL ITEMS	_____
 CHANGE IN NET POSITION	 _____
BEGINNING TOTAL NET POSITION, (Date)	\$ _____
PRIOR PERIOD ADJUSTMENTS <sup>2</sup>	_____
ENDING TOTAL NET POSITION, (Date)	\$ _____

The notes to financial statements are an integral part of this statement.

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<sup>1</sup> If operating grants and subsidies are shown as operating revenues (optional presentation) note disclosure is required in the summary of significant accounting policies.

<sup>2</sup> Note disclosure needs to be given for a prior period adjustment. Direct adjustments to net position should be limited to corrections of errors and changes in accounting principles.